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Review of the UNICEF supply function in the context of the medium-term strategic plan

Summary

The present report reviews the UNICEF supply function in the context of the medium-term strategic plan (MTSP). The report provides an overview of the work of UNICEF Supply Division and discusses the supply component of the five organizational priorities of the MTSP. It also reviews other aspects of the Division's work (procurement services and the Oil for Food Programme in Iraq), discusses steps taken to improve the efficiency of the UNICEF global supply operation, and addresses several future challenges, including the issue of vaccine security.

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I. Introduction

1. Since the Executive Board last reviewed the UNICEF supply function five years ago (E/ICEF/1997/AB/L.14), supplies have continued to be central to UNICEF cooperation, either through traditional direct supply assistance as part of country programmes, or increasingly, through procurement on behalf of partners, either via procurement services or such new mechanisms as the Global Alliance for Vaccines and Immunization (GAVI). UNICEF Supply Division is responsible for overseeing this global procurement and logistics operation, which in 2001 had a volume amounting to almost $600 million worth of supplies. The Division supports country offices and partners in achieving the priorities of the UNICEF medium-term strategic plan (MTSP) by purchasing supplies that meet high standards for quality and value and ensuring their timely delivery, and by working to ensure that procurement by every UNICEF office follows all organizational regulations and ethical standards.

II. Overview of Supply Division's activities

2. In 2001, UNICEF purchased $595 million worth of supplies globally, with $357 million purchased offshore by Supply Division and $238 million purchased locally by UNICEF field offices. Of the total, some $351 million was purchased for UNICEF country programmes, $72 million for procurement services for other partners, $75 million for GAVI and $40 million for the Oil for Food Programme (OFFP) for Iraq. Another $44 million was spent on replenishment of the Copenhagen warehouse and $13 million on administrative supplies and support.

3. The commodities purchased by UNICEF are classified either as strategic supplies, which directly support MTSP priorities (i.e., vaccines and immunization supplies, pharmaceuticals, medical equipment, micronutrients, water and sanitation supplies, insecticide-treated bednets, educational materials, blankets, shelter materials, etc.) or as supporting commodities, which help to ensure that programmes run effectively (i.e., office equipment, computers and vehicles). Supply Division is responsible for procurement of all vaccines, auto-disable syringes, safety boxes (for disposal of injection equipment), pharmaceuticals, micronutrients and therapeutic foods. UNICEF field offices are authorized to undertake local procurement up to $50,000 for all other commodities without prior authorization, depending on the availability and quality of local products. Field offices generally procure non-strategic commodities like fuel, construction supplies and printing services. Supply Division frequently negotiates long-term agreements (LTAs) and direct ordering arrangements under which field offices may purchase many supplies directly.

4. In 2001, the largest commodity groups purchased by UNICEF were in the areas of immunization ($261 million), water and sanitation ($55 million), medical supplies and equipment ($38 million), educational supplies ($35 million) and nutrition ($19 million). The figures from recent years follow a similar trend, with vaccines by far the largest commodity purchased, largely because of the vaccines required for GAVI and for global efforts against polio, measles and maternal and neonatal tetanus.

5. Supply Division provides procurement, logistical and technical expertise to UNICEF offices and external customers, and also reviews requests and gives feedback to customers regarding the supply chain and product management (quality, shelf-life, temperatures, storage and transportation). The Division works closely with relevant headquarters divisions and regional offices to assist countries in undertaking assessments of essential commodities as part of their ongoing situation analysis or in preparation of the Common Country Assessment, country note and mid-term review. The first such structured assessments took place in Bosnia and Herzegovina and Ecuador in 2002. Senior Supply Division staff have been outposted to regional offices to support the staff of country offices in these efforts, particularly in Africa, where most UNICEF programmes have a high supply throughput.

6. Supply Division works closely with other United Nations agencies on a wide range of policy and programmatic issues. The World Health Organization (WHO) in particular is a strong partner on immunization and drug technologies, as is the United Nations Population Fund (UNFPA) in health. At field level, and especially during emergencies, UNICEF supply staff maintain close coordination with the World Food Programme (WFP) and the Office of the United Nations High Commissioner for Refugees (UNHCR) on shipping, logistics and distribution. As part of the UNICEF contribution to the Roll Back Malaria initiative, Supply Division has been working to expand the availability and use of new technology for insecticide-treated bednets. The Division works with other partners on common approaches to product specification, procurement and warehousing.

7. The Supply Division warehouse in Copenhagen is central to the Division's support to country offices and to the overall emergency response capacity of UNICEF. The warehouse specializes in developing and shipping pre-packed kits that are designed to meet a variety of needs, especially for medical care and education. The kits can be assembled, shipped and distributed rapidly, making them ideal for emergency situations. Each kit contains a complete set of supplies and instructions for use, so that they can be distributed to outlying schools, health posts or camps and be ready for immediate use. The warehouse stocks components for 29 different kits, including the emergency health kit and the "School in a Box".

III. Supply/logistics and the medium-term strategic plan

8. Supplies are essential for achieving the goals of the MTSP, and are also an important part of the UNICEF contribution to achieving many of the goals of *A World Fit for Children*, adopted by the General Assembly at the Special Session on Children, and many of the Millennium Development Goals. Supply Division focuses its procurement of strategic supplies on supporting the organizational priorities of the MTSP. This support varies depending on the relevance of the supply component to each priority, to national priorities and to the UNICEF programme in specific countries. Procurement services are an additional means of supporting the MTSP priorities as part of national programmes for children, especially in countries where direct programme support from UNICEF is limited.

A. Immunization "plus"

9. Ensuring a reliable supply of safe and affordable vaccines is one of the major components of immunization "plus". Supply Division is responsible for procuring all vaccines and safe injection devices for the global campaigns to eradicate polio, eliminate neonatal and maternal tetanus and control measles, and all vaccines on behalf of GAVI. Because of its high volume of vaccine procurement, UNICEF is one of the world's largest purchasers of vaccines for developing countries.

10. In 2001, UNICEF purchased $261 million worth of vaccines for use in over 90 countries by UNICEF-supported programmes, GAVI and procurement services customers, including Governments and other agencies. Supply Division buys vaccines only from manufacturers certified by WHO. It cooperates with the vaccine industry and WHO on forecasting of vaccine requirements and planning of requirements for major campaigns, including National Immunization Days (NIDs), as well as for emergency outbreaks of disease. The Division also purchases safe injection materials, safety boxes and cold-chain equipment for UNICEF-supported immunization programmes, as well as vitamin A, another key component of immunization "plus", with some 500 million vitamin A capsules shipped from the Copenhagen warehouse in 2001 alone.

11. Supply Division is responsible for procuring all vaccines for GAVI, which is a broad partnership of many public and private organizations. In 2001, this procurement amounted to $75 million, primarily for new and under-used vaccines, specifically against hepatitis B and *haemophilus influenza* B (Hib), and yellow fever in endemic countries. By the end of 2001, some 50 countries had been approved to receive vaccines under GAVI. The Division has worked closely with the industry and the recipient countries on managing the roll-out, allocation and shipment of the new vaccines.

12. Another enormous challenge in recent years has been ensuring an adequate supply of oral polio vaccine (OPV) for the global polio eradication campaign. In 1999, there was a sudden increase in demand owing to the stepped-up eradication programme at a time of limited global availability of OPV. Since then, Supply Division has worked intensively with WHO and the manufacturers to manage the global OPV supply and to plan for vaccine requirements after polio has been eradicated in 2005. In addition to the closer day-to-day working relationship with WHO, an important by-product of this effort has been the consideration of vaccine availability as a factor in the planning and scheduling of NIDs and other immunization campaigns.

13. Vaccine purchasing has become increasingly complex in recent years as the market has changed, owing to a growing divergence between the types of vaccines used in industrialized and developing countries. Industrialized countries generally buy more expensive vaccines against a wider range of diseases than the traditional target diseases of the expanded programme on immunization, for which UNICEF purchases mainly "penny" vaccines for developing countries. For example, the price for a dose of combined measles/mumps/rubella vaccine can be as high as $16 in the public sector in the United States, while UNICEF buys a single measles vaccine that costs 10 cents a dose. As markets have changed, some manufacturers have stopped production of the cheaper vaccines. Supply Division is working with current manufacturers to increase the availability of the basic vaccines used by UNICEF,

and is also working with potential new manufacturers in both industrialized and developing countries.

14. **Vaccine security**. As discussed in a report on vaccine security presented to the Executive Board at the first regular session of 2002 (E/ICEF/2002/6), the world is experiencing vaccine shortages serious enough to jeopardize immunization programmes for children. The report stressed that vaccine security — the sustained, uninterrupted supply of affordable vaccines, especially for the poorest countries — hinges on guaranteed production of vaccines, secure multi-year allocations for vaccine financing and the development of long-term forecasting of vaccine requirements.

15. In the past year, Supply Division has focused considerable attention on improving the forecast of countries' vaccine needs, through a redesigned format of enquiry and increased communication with countries. The Division has held discussions on its long-term vaccine requirements with 12 producers, including emerging manufacturers in developing countries and national manufacturers in some industrialized countries, only four of which currently have been pre-qualified by WHO. In addition, high-level meetings with major manufacturers have helped to increase their confidence in UNICEF and resulted in a better understanding of the constraints facing both sides.

16. The availability of funding has improved in terms of earlier commitments from some donors to cover vaccine needs, but assured funding is still insufficient for issuing firm contracts with manufacturers. The unpredictability of funding is the greatest risk to ensuring adequate and sustainable vaccine supply.

B. HIV/AIDS

17. One of the aims of the organizational priority on HIV/AIDS is to expand access to care and support for children and their families living with HIV and AIDS. Improving access to medicines for people living with HIV/AIDS is part of this challenge, as is prevention of mother-to-child transmission (PMTCT) of HIV. Many of the millions of people living with HIV/AIDS in the poorest countries lack even basic medicines to treat common infections and other conditions, with painkillers, antibiotics, anti-malarial and anti-tuberculosis medicines in desperately short supply.

18. With its limited resources, UNICEF cannot provide these medicines in large quantities. However, Supply Division has been able to focus on medicines for PMTCT in poor countries, providing a limited selection of anti-retroviral medicines, basic essential medicines and other supplies for a basic package of antenatal care. In 2000-2001, the Division also procured HIV test kits for 19 countries, mostly in Africa, and provided related technical support. As a participant in the WHO Bulk Procurement Scheme for HIV test kits, Supply Division procures only kits that are approved by WHO. The Division is also providing direct assistance to countries on supply management, specifically in relation to PMTCT, in order to strengthen supply planning and delivery systems.

19. In addition to the provision of medicines and test kits, Supply Division has been a partner in two inter-agency initiatives to provide information to decision makers on the manufacturers, quality and prices of HIV-related medicines. The two projects have been undertaken jointly by UNICEF, the Joint United Nations

Programme on HIV/AIDS, UNFPA, WHO and *Médecins sans frontières* (Doctors Without Borders). The first project, started in 1999, publishes an annual report, "Sources and prices of selected drugs and diagnostics for people living with HIV/AIDS", based on a survey of over 200 pharmaceutical manufacturers in 40 countries worldwide. The second project, initiated in 2000, evaluates HIV-related products in accordance with WHO-recommended standards. Both projects are part of a United Nations system-wide strategy to increase access to affordable and reliable HIV treatment and care.

20. In 2002, Supply Division was requested to provide procurement services assistance to the PMTCT Plus Initiative coordinated by Columbia University (United States). The Initiative aims to support the provision of HIV-specific care, including access to a number of standardized antiretroviral options when clinically indicated, to HIV-infected women and children identified in PMTCT programs, and to their HIV-infected family members as appropriate. Supply Division has worked with the Initiative's procurement working group to identify sources of supply for drugs and medical commodities and is responsible for procurement for the Initiative, whose first round of grants for HIV care and treatment including antiretroviral therapy for infected mothers, children, and other family members, concentrates on 40 sites in eight African and Asian countries (Côte d'Ivoire, Kenya, Mozambique, Rwanda, South Africa, Thailand, Uganda and Zambia). In the countries concerned, the Initiative works in consultation with both the UNICEF country office and the Government.

C. Education

21. The supply component of UNICEF education programmes is most visible in emergency situations, largely because of the success of the "School in a Box", which has been used by UNICEF since the mid-1990s. The "School in a Box" was originally developed by education experts from UNICEF and the United Nations Educational, Scientific and Cultural Organization to provide basic education to hundreds of thousands of children in refugee camps who had been displaced by the events in Rwanda in 1994. The box contains supplies and materials for up to 80 students (in double-shift classes of 40), plus supplies for the teacher, in a locked box which can double as a blackboard when coated with the special paint included in the kit. Using a locally developed teaching guide and curriculum, teachers can establish makeshift classrooms almost anywhere. Its purpose is to ensure the continuation of children's education during the early stages of en emergency. Over the past five years, the "School in a Box" has been extensively used in India, Kosovo, Timor-Leste and Turkey, with some of these kits produced locally (e.g., in India) and others assembled at the Copenhagen warehouse and shipped to the country.

22. The most recent and spectacular use of educational kits was in Afghanistan. In March 2002, as part of the country's Back to School programme, UNICEF delivered 10,000 kits from Copenhagen. With support and training provided by staff from Copenhagen, another 64,000 kits were packed at a warehouse in Pakistan and 10,000 kits were produced in Tajikistan and Uzbekistan. In the first phase of the unprecedented operation, UNICEF provided educational materials to 1.7 million primary-school children. For the second phase, UNICEF sent 5,000 kits from Copenhagen. In addition, as part of its efforts to support the reconstruction of the country's education system, UNICEF renovated and put in place the Ministry of

Education Logistics Centre in Kabul, which can produce over 3,000 kits per day. The production for the second phase took place between August and end-October, producing kits for 1.3 million primary-school children and 300,000 secondary-school children. The production started again in November to provide educational materials for 4.5 million children by March 2003 under the Stay in School programme. In addition to the education kits and school supplies, UNICEF also supplied tents and other materials to establish schools, particularly for girls, allowing them to resume their education after being prevented from attending school for years.

23. In addition to the School in a Box, Supply Division procures various educational equipment and materials that can be ordered as separate items or assembled in specific sets, based on the local requirements of a country office or external customer. Providing water and sanitation facilities to boys and girls in school is also one of the key interventions for girls' education. Supply Division is working with Programme Division to develop standards to be applied throughout UNICEF.

D. Integrated early childhood development

24. Part of the UNICEF commitment to integrated early childhood development (IECD) is to support programmes to deliver nutrition, child and maternal health, water, sanitation and hygiene-related services and commodities. Supplies always have been and remain central to most of these efforts, as reflected in the list of commodities provided by UNICEF (available on the internet at www.supply.unicef.dk). These range from essential drugs, medical kits, midwife and safe delivery kits, micronutrients and food supplements to insecticide-treated bednets to water containers, latrines and even pumps and drilling rigs in some countries. In all of these cases, Supply Division staff work with country offices to determine appropriate standards and product specifications. In addition, the Division has developed an IECD kit and is discussing production with Programme Division. The kit was developed to respond to the needs of young children and includes play materials (for children 0-3 years, books, puzzles, hanging mobiles and soft safe objects; for children 3 to 6 years, it also contains such stimulation materials as hand puppets, colouring pencils and paper, cups and spoons) and caregiver's materials (notebook, paper towel, apron, food container and soap).

25. The **procurement of essential drugs**, including micronutrients, is an area of special concern because of the potential risks involved if drugs are unsafe or do not meet required standards. Supply Division, which follows the WHO Model List of Essential Medicines, is a centre of expertise on the quality, manufacture, regulatory requirements and purchasing of essential medicines and provides technical assistance in their management within and outside UNICEF. The Copenhagen warehouse is certified for Good Distribution Practices for pharmaceuticals.

26. Pharmaceutical procurement is a particularly complex area of business. Because the expanding use of counterfeit and unlicensed drugs is a concern in many countries, UNICEF focuses on controlling the origin of the drugs it supplies and allows country offices to purchase drugs only through Supply Division. The Division has a quality assurance system for its purchase of drugs, involving pre-qualification of suppliers which comply with WHO Good Manufacturing Practice

Guidelines; assessment and evaluations of documentation provided by suppliers and product evaluations; and site visits to manufacturers. During 2002, UNICEF collaborated with UNAIDS, UNFPA, WHO and the World Bank in a pilot project on procurement, quality and sourcing on access to HIV/AIDS drugs and diagnostics of acceptable quality, which resulted in the pre-qualification of some 60 products from nine companies.

27. Supply Division is an active member of the Inter-Agency Pharmaceutical Coordination Group, which was established in 1996 by UNICEF, WHO and the World Bank and later joined by UNFPA and UNAIDS. Through the Group, each agency's pharmaceutical advisers meet regularly to review common policies and practices, and to coordinate pharmaceutical policies underlying technical advice to partner countries. There is agreement among the partners that the pre-qualification of pharmaceutical manufacturers is a pre-requisite for ensuring product quality.

E. Child protection

28. The supply component of child protection is concerned primarily with emergency response and protection of affected children. One of the UNICEF Core Corporate Commitments in emergencies is to provide essential supplies for health and nutrition, education, water supply and sanitation programmes. Emergency supplies are increasingly planned as part of a long-term perspective which also includes rehabilitation and development. In major emergencies, UNICEF is a partner in the United Nations Joint Logistics Cell, led by WFP at field level. The Joint Logistics Cell provides two standard training sessions, one hosted by WFP in Brindisi, Italy and the other hosted by UNICEF in Copenhagen.

29. Supply Division's Copenhagen warehouse is key to the UNICEF emergency response capacity. Emergency supplies can be packed and shipped within 24 hours of receipt of an order, delivering the essential drugs and vaccines, medical equipment, water containers and purification tablets, blankets and educational supplies needed for children's immediate survival and recovery from trauma. The warehouse has also been contracted by UNHCR and the International Federation of Red Cross and Red Crescent Societies to stock and ship their emergency supplies. When possible, UNICEF and also UNHCR split charter flights from Copenhagen during emergencies.

30. Supply Division constantly evaluates and adjusts stockpiles and stocking points to have adequate supplies available for emergency situations. With support from the United Kingdom Department for International Development, UNICEF is looking at the advisability of regional sourcing and stockpiling of emergency supplies. In the interim, UNICEF has decided to double the global emergency stockpile controlled by the Copenhagen warehouse to a value of $1.3 million, enough to cover the emergency non-food needs of 100,000 people for three weeks (but including therapeutic foods for malnourished children). Supply Division will also use suppliers' warehouses to hold additional inventories of shelter materials, blankets, water containers, water purification tablets, oral rehydration salts, etc.

31. Supply Division staff work closely with the Office of Emergency Programmes and Programme Division to monitor emerging supply needs during the course of an emergency, and in planning supply needs for reconstruction and rehabilitation. It is

more difficult to make realistic supply plans for long-term emergency countries because of the volatility of the situation in the field and the uncertainty of funding.

IV. Other areas of activity

A. Procurement services

32. Through procurement services, UNICEF acts as a procurement agent for governmental and non-governmental partners, purchasing and delivering supplies and equipment. Procurement services are usually planned as part of UNICEF cooperation with the concerned Government. During the situation analysis, UNICEF and the Government identify the supply needs that UNICEF can address directly and those being addressed by other partners. UNICEF offers its procurement services to these partners when the activities complement or are part of the country programme, thus leveraging new resources for children. The principal advantage of UNICEF procurement services is to offer development partners a full supply package, (i.e., assistance with product specification, procurement, use and end-user monitoring), including country-level operational support, in product areas where UNICEF has recognized experience. These are mainly vaccines, injection materials, cold-chain equipment, essential drugs, medical equipment and supplies, education materials and emergency supplies.

33. Procurement services agreements are governed by memoranda of understanding, which Supply Division is responsible for approving. Supply Division thus ensures that UNICEF resources do not subsidize procurement services, that the handling fee is used to cover costs and that requirements can be built in to Supply Division's own planning so that supplies can be delivered on time without affecting deliveries for UNICEF-supported programmes.

34. In 2001, procurement services amounted to $72 million. As of October 2002, the value of orders to be delivered had exceeded $100 million for the year. Since mid-2001, procurement services have operated in over 65 countries. Major customers include the Governments of Bangladesh, India and Pakistan, for immunization, the Japanese International Cooperation Agency, for projects in a range of countries, and the Governments of Ethiopia, Ghana, Kenya, Lebanon, Malawi, Madagascar, Morocco, Mozambique, Rwanda, the United Republic of Tanzania, Uganda and Uzbekistan.

B. Oil for Food Programme

35. Supply Division has been procuring supplies for OFFP since the programme's inception in 1997. The value of supplies procured each year has varied depending on the allocations to UNICEF, rising to a high of $75 million in 2000 and dropping to $40 million in 2001. Under OFFP, UNICEF is responsible for programme implementation in Northern Iraq (distinct from the programme of cooperation between UNICEF and the Government of Iraq), focusing on water supply and sanitation and some education and nutrition programmes. UNICEF has focused in particular on the rehabilitation of damaged systems and combating persistent drought, through large-scale provision of vehicles, heavy equipment and components for water and sanitation systems. UNICEF has also supported the

construction of schools and installation of printing presses for production of textbooks.

36. Supply Division has established a small team in Copenhagen to manage the OFFP procurement operation. The team works closely with the Ankara (Turkey) Procurement Centre, which was established to manage regional procurement for OFFP, and with a supply team working in Northern Iraq.

V. Improved efficiency of supply operations

37. Supply Division has worked closely with country offices in recent years to develop and improve the quality of annual **supply plans**. The Division and outposted regional supply staff work with country offices on commodity assessments, forecasting and planning, establishing an annual deadline for receiving requisitions and using the plans to negotiate LTAs for standard materials. These agreements, under which UNICEF and the supplier agree on commercial terms for products in anticipation of future orders, assure more rapid deliveries.

38. Supply Division **evaluates and registers all suppliers** with which it does business. The evaluation assesses a company's financial strength, manufacturing capacity and quality systems. Existing suppliers are also regularly re-evaluated. UNICEF is also part of the United Nations Common Supplier Data base, which is managed by the Inter-Agency Procurement Services Office. To assure a wide supplier base, Supply Division takes part in and organizes several supplier seminars in different parts of the world every year. The Division's inspectors randomly inspect all supplies coming to the UNICEF warehouse and evaluate all samples submitted with bids. In addition, inspection companies are contracted to carry out factory inspections on behalf of UNICEF.

39. Supply Division's **Copenhagen warehouse**, which recently marked its fortieth year of operations, covers 25,000 square meters. The Government of Denmark provides the warehouse and adjacent offices to UNICEF and has been actively involved in upgrading its facilities with the latest technology. In addition to emergency response and stockpiling, the warehouse also maintains an inventory of goods and is responsible for worldwide shipments of supplies. The warehouse specializes in kit and set packing, which remains an important service to customers. The annual value of orders processed by the warehouse has remained at or near $50 million since 1997.

40. As local markets expand and the quality of locally produced goods continues to improve, UNICEF relies increasingly on **decentralized procurement** in most countries. In 2000 and 2001, eight of the top 20 supplier countries to UNICEF were programme countries, making the volume of local and regional procurement by UNICEF one of the largest in the United Nations system, amounting to $238 million in 2001. Since 2000, UNICEF representatives have been authorized to undertake local procurement of most commodities up to $50,000 without prior approval from Supply Division. Another option is direct ordering of such standard supplies as computers, office supplies and furniture, vehicles and some cold-chain equipment. Supply Division has negotiated a series of LTAs for these products which allow country offices to order directly from suppliers. The advantages of local procurement include after-sales services, avoidance of delays because of customs clearance and reduced transport time. However, prices are not always competitive,

not all commodities are available locally, quality is sometimes substandard and suppliers keep low stock levels, resulting in the need for a mix of local and offshore procurement.

41. Because these changes have required improved capacities of **supply staff** in country offices, the Division has been systematically providing professional training through regional training workshops and special courses in Copenhagen. The Division has also worked with the Division of Human Resources to develop competency profiles for various supply, procurement and logistics posts.

42. The **overall responsibility for UNICEF procurement** rest with the Director of Supply Division, although each UNICEF office determines its own supply requirements in consultation with host Governments and through situation analyses. Oversight of local procurement is assured through Contract Review Committees in each country office and Regional Directors are responsible for regional oversight. Supply Division reviews the documentation provided by the Contract Review Committees, undertakes field visits and analyses data on all purchases. The UNICEF Office of Internal Audit systematically reviews the supply function as part of each audit of a country office.

43. **Regional supply centres** were established in 1998 in Ankara, Turkey and Pretoria, South Africa. The Ankara Centre was created to procure supplies for OFFP, especially educational supplies, and the Pretoria Centre was set up to source suppliers of bednets and insecticides as part of the Roll Back Malaria initiative. Both centres quickly expanded to provide a wider range of supplies to UNICEF offices. The Ankara Centre played an essential role following the 1999 earthquake in Turkey and during the Afghanistan emergency in 2001-2002. The Pretoria Centre now procures supplies for UNICEF programmes throughout Southern Africa.

44. Working with Governments, UNICEF continues to monitor closely the status of **in-country distribution and logistics systems** to ensure that supplies are reaching the intended beneficiaries. Although the primary responsibility lies with country offices, Supply Division has increased its support to country and regional offices in both analysis of risks and in terms of technical support to improve in-country systems. These efforts focus in particular on countries receiving shipments of anti-retroviral drugs for the care and treatment of HIV/AIDS.

VI. Alliances and partnerships

45. Supplies have traditionally been associated with UNICEF in the minds of the general public and National Committees for UNICEF continue to make extensive use of supplies in their fund-raising campaigns and emergency appeals. Most media stories about UNICEF and accompanying photographs have a supply component. Supply Division works with the Division of Communication and National Committees to support UNICEF advocacy and fund-raising.

46. As discussed throughout the present report, Supply Division frequently works with other United Nations agencies on policy, technical and operational issues. As a member of the Inter-Agency Procurement Working Group, Supply Division has contributed to the development of common services at United Nations Headquarters. In addition, there has been a significant review of procurement regulations and rules with the aim of increased harmonization of the different agencies' procurement

activities. Work is progressing on the concept of a "lead agency" for specific commodities and the possibility of sharing LTAs within the United Nations system. One example is the freight forwarding agreement established by UNICEF, which is now used by other agencies.

47. GAVI and other new initiatives have offered new possibilities for collaboration with a wider range of partners. New ways of working within these alliances in an increasingly complex environment have shown the need to develop staff capacities in new areas of expertise, for example in dealing with industry partners.

VII. Challenges

48. As discussed in paragraphs 14-16 above, **vaccine security** will continue to be high on the UNICEF agenda, with Supply Division working to increase the number of manufacturers able to supply vaccines, improving the planning and forecasting of demand and above all working with programme countries and donors alike to ensure adequate future funding to cover vaccine requirements. The overall availability of vaccines is predicted to remain limited in upcoming years, requiring extra efforts to avoid shortages that would leave children unprotected against disease.

49. As a result of lower prices and the increased funding available for **anti-retroviral** medicines for the care and treatment of people with HIV/AIDS, demand will increase dramatically (see paragraphs 17-20 above). Supply Division is ready to support the increased procurement of these products, but is also emphasizing the security of in-country supply systems to ensure delivery to patients, merging the global procurement capacity of UNICEF with its in-country operational capacity. Given that countries have varying levels of experience in procurement and supply management, Supply Division will continue to support increased access to HIV-related drugs by providing advice in these areas. In addition to the quality of products, many factors have to be considered, including intellectual property issues and consistency with international agreements and national laws.

50. UNICEF has taken the lead in the **provision of insecticide-impregnated bednets** to help prevent malaria in young children and pregnant women. Supply Division currently works with a number of manufacturers in developing countries, including in Africa. The demand for treated bednets is increasing rapidly and there will be capacity limits to the number of nets produced. Supply Division is seeking new manufacturers and is establishing more systematic long-term purchase agreements to increase and speed up procurement. It will continue to work within the Roll-Back Malaria initiative in the transfer of technology to manufacturers for the production of long-lasting (permanently treated) nets, which are considered more effective.

51. The lessons learned from vaccine procurement in a tight market and the initial purchases of anti-retroviral drugs where patent protection issues have to be thoroughly researched, point to **a far more complex business environment** facing UNICEF in the procurement of some of its key commodities. Supply Division is putting increasing efforts into market analysis, legal issues and in-country logistics, which in turn has implications for the type of staff capacities required in the supply function. The Division will continue to develop competency profiles for staff that include this wider range of analytical skills.

52. As part of its increasing focus on strategic supplies, Supply Division will address **procurement of supporting supplies** in a different way. The Division has already been successful in using catalogue companies for direct ordering by all UNICEF offices of office supplies, audio-visual equipment and other commonly used products. Similar possibilities are being considered for low-value, low-volume pharmaceuticals and for some medical supplies. Where feasible, the Division will also use the contracts of other United Nations agencies. Some of these arrangements will include working with qualified consolidators and wholesalers in the acquisition of certain products.

53. Although these challenges are considerable, Supply Division has been able to adapt its procurement processes and build internal capacity to be able to maintain affordable prices and increase the speed of delivery while maintaining quality and compliance with United Nations procedures. It has also rapidly adapted to a changing market and become a centre of expertise on managing essential supplies for children worldwide.